# Report concludes Wall Street 'is moving in the wrong direction'

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USA TODAY

NEW YORK — This city's famed Wall Street, long considered the financial capital of the world, is in danger of losing its top spot within 10 years unless the U.S. reforms its burdensome regulatory rules, limits frivolous lawsuits and makes it easier for skilled talent from abroad to come here to work, says a new study commissioned by top New York elected officials.

**Markets**

In what amounts to a wake-up call to U.S. lawmakers and regulators, the study released Monday by Mayor Michael Bloomberg and Sen. Charles Schumer, D-N.Y., says competition from cities that have more market-friendly rules and regulations, such as London, Dubai, Hong Kong and Tokyo, threatens U.S. dominance of the financial services industry.

"We can no longer take our preeminence in the financial services industry for granted," Bloomberg and Schumer note in a letter to Americans that accompanied the release of the report. "In fact, the report contains a chilling fact that if we do nothing, within 10 years ... we will no longer be the financial capital of the world."

The 134-page report is the latest salvo in the debate surrounding the competitiveness of U.S. financial markets. U.S. Treasury Secretary Henry Paulson focused on the issue and sounded similar alarms in a recent speech.

The latest study, which includes interviews with more than 50 financial services CEOs, acknowledges that it's not just the "natural maturing" of foreign markets that is responsible for the USA losing share in key businesses, such as initial public offerings and derivatives. A bigger problem is restrictive U.S. policies that make doing business in the USA less appealing to foreign investors.

The keys to competitiveness, the study says, are the availability of skilled people and a more balanced and fair legal and regulatory environment. The study concludes that "the U.S. is moving in the wrong direction" in each of these areas.

The study warns that if changes are not made, Wall Street stands to lose 4% to 7% of market share over the next five years to Europe and Asia. That would cost the U.S. financial services industry $15 billion to $30 billion in revenue, equal to 30,000 [illegible] jobs.

The study says London, with its more lenient immigration laws and more amenable regulatory environment, is Wall Street's biggest competitor. Jobs in London's financial district grew by 4.3% from 2002 to 2005, vs. a loss of 0.7% of financial-related jobs in New York.

To stem the losses and improve the USA's leading role, the study from consultant McKinsey recommends providing clearer guidance for implementing the Sarbanes-Oxley Act (which helps combat corporate fraud), reforming securities litigation laws and easing barriers that make it tough for highly skilled foreigners to work in the USA.

"Real action is required now," the report concludes.